

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2005):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
CERTAIN APPAREL OF COMPACTED, PLIED, RING-SPUN COTTON YARNS**

Investigation No. 332-465-008

JULY 2005



Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-465-008

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| Products | Certain apparel of compacted, plied, ring-spun cotton yarns |
| Requesting Parties | Galey & Lord, Inc., New York, NY |
| Date of Commission Report | June 30, 2005 |
| Commission Contact | Heidi Colby-Oizumi (202-205-3391; heidi.colby@usitc.gov) |

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON FEBRUARY 14, 2005. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (**).

Summary of Findings

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of apparel made in eligible Caribbean Basin and Andean countries from U.S.-formed fabrics containing the subject yarns, regardless of the source of such yarns, would likely not have an adverse effect on U.S. yarn spinners or their workers, as there is currently no known U.S. production of the subject yarns, and U.S. production capacity for the yarns is reportedly very limited. Given the unique properties of the subject yarns, there appears to be no U.S. production of yarns that could be considered directly substitutable for the subject yarns. The proposed preferential treatment would benefit U.S. mills weaving fabrics of the subject yarns and their workers, as duty-free treatment for the specified apparel would apply only to those garments made in eligible countries from fabrics formed in the United States. The proposed action would likely benefit U.S. firms making the specified apparel in eligible countries, and their U.S.-based workers, as well as U.S. consumers.

Background

On January 19, 2005, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-465, *Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). Under this investigation, the Commission provides advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2005 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).¹

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Jan. 26, 2005 (70 F.R. 3728) and consult the Commission's website at www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm.

The Commission's advice in this report relates to a petition received by CITA on May 23, 2005, alleging that certain compacted, plied, ring-spun cotton yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible CBTPA and ATPDEA beneficiary countries from U.S.-formed fabrics containing such yarns, regardless of the source of the yarns.²

Discussion of the product

The petition, filed by AM&S Trade Service, L.L.P., on behalf of Galey & Lord, New York, NY, states that the subject yarn is classified in subheadings 5205.42.00, 5205.43.00, 5205.44.00, 5205.46.00, and 5205.47.00 of the Harmonized Tariff Schedule of the United States (HTS statistical reporting numbers 5205.42.0020, 5205.43.0020, 5205.44.0020, 5205.46.0020, and 5205.47.0020), which provide for multiple (folded) yarn of combed fibers (other than sewing thread), containing 85 percent or more by weight of cotton, not put up for retail sale, depending on yarn count.³ The U.S. general rates of duty on yarns classified under these subheadings range from 6.5 percent to 12 percent ad valorem. The yarns will be used to make fabric for men's and boys' woven cotton trousers and shirts, and women's and girls' woven cotton trousers, shirts, and blouses, garments that will be both cut and sewn in CBTPA or ATPDEA beneficiary countries from U.S.-formed fabrics containing the subject yarns. These apparel articles are classified in HTS chapter 62 (apparel, not knitted or crocheted) and are subject to U.S. general rates of duty ranging from 15.4 percent to 19.7 percent ad valorem.

The petition describes the subject yarns as 100-percent cotton ring-spun yarns that are compacted and plied.⁴ The subject yarns range in size from 42 to 102 metric (25 to 60 English cotton count). The yarns are produced on compact ring spinning frames⁵ using an advanced spinning process that avoids the conventional "spinning triangle."⁶ During the spinning process, air suction and compaction is used to condense the fibers, causing them to lay closer together and parallel with each other, resulting in a smooth, tight yarn that has less air between the fibers. The process removes short fibers from the yarn, reduces undesirable yarn hairiness, and increases strength and evenness. Fabrics woven with compacted yarns have a smooth look and feel, increased pilling resistance, and added luster. Twill fabrics made from such yarns reportedly have a cleaner look and a sharp, well-defined twill line.

Galey & Lord intends to use the subject yarns in the production of twill or plain weave fabric at its plant in NC, then ship the fabric to companies in CBTPA and ATPDEA countries for use in the manufacture of shirts, blouses, and trousers for ***. According to the petitioner, the customer has specified that

² The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

³ In this case, multiple yarns refers to plied yarns. Data on U.S. imports of the subject yarns are not available because the yarns are grouped with other related cotton yarns in HTS statistical reporting numbers 5205.42.0020, 5205.43.0020, 5205.44.0020, 5205.46.0020, and 5205.47.0020.

⁴ Information in this and the following paragraph is from the petition and telephone interviews by Commission staff with Carlos Moore, President of AM&S Trade Services, LLC, June 14, 2005; Al Blalock, Galey & Lord, June 14, 2005; Dennis Gilrian, Managing Director, Swift Galey, June 14, 2005; and ***.

⁵ There are reportedly three companies, Rieter, Suessen, and Zinser, that currently manufacture compact yarn spinning systems.

⁶ In the conventional ring-spinning process, a weak zone known as the "spinning triangle" is formed between the clamping line and the point of twist insertion by the ring spindle. In this zone, outlying fibers may not be fully integrated into the yarn, resulting in protruding fibers or yarn hairiness. The "spinning triangle" is nearly eliminated in the compact spinning process.

compacted yarns be used to produce the fabric. ***. If commercial availability designation is given, Galey & Lord states that it would likely obtain the subject yarns from ***.

Discussion of affected U.S. industries, workers, and consumers

Apparel Producers

A representative of the American Apparel and Footwear Association stated that he was unaware of any firms making apparel of the subject yarns domestically and indicated that most U.S. production of shirts, blouses, and pants consists of products made for the U.S. military or by U.S. companies that produce custom products or small quantities of goods to augment their import lines for replenishment purposes.⁷ Staff attempted to contact companies believed to be domestic producers of apparel similar to the garments described in the petition, but did not receive responses from most firms.⁸ One company, ***.⁹ A representative of *** stated that there is no domestic production of pants similar to or substitutable for the garments made of fabrics containing the subject yarns.¹⁰

Fabric producers

There are no known U.S. producers of fabrics made from the subject yarns.¹¹ The petitioner, Galey & Lord, has been asked to make such fabrics for use in apparel for ***.¹² ***.

Regarding possible substitutable yarns, Galey & Lord states that ***.

Yarn producers

There is no known U.S. production of the subject yarns, and there is very limited capacity to produce such yarns in the United States. Commission staff contacted the National Council of Textile Organizations (NCTO), Parkdale Mills, Ramtex, Tuscarora Mills, and R.L. Stowe Mills regarding possible domestic production of the subject yarn. NCTO identified Parkdale Mills as a potential producer of compacted yarns, and suggested three possible substitutes that exhibit properties similar to compacted yarns and are produced by a number of U.S. producers: 1) ring-spun combed and plied yarns; 2) yarns spun using the Siro double creel method; 3) and mercerized cotton yarns. NCTO also indicated that in lieu of using compact spinning machines to produce the yarn, an attachment exists that can be installed on conventional spinning systems that mimics the traditional compact spinning process.

Commission staff spoke with Parkdale Mills (Parkdale), Gastonia, NC, which is the only known domestic yarn producer that currently owns a compact ring spinning frame.¹³ According to a company official, ***.¹⁴

⁷ Stephen Lamar, American Apparel & Footwear Association, telephone interview by Commission staff, Apr. 26, 2005, and e-mail correspondence to Commission staff, June 14, 2005.

⁸ Staff contacted ***, but did not receive responses as of June 28, 2005.

⁹ ***, telephone interview by Commission staff, June 12, 2005.

¹⁰ ***, telephone interview by Commission staff, June 12, 2005.

¹¹ In telephone interviews with Commission staff on June 13 and 14, 2005, Michael Hubbard of the National Council of Textile Organizations indicated that he is unaware of any U.S. production of fabrics using compacted yarns. In addition, none of the yarn spinners or fabric producers contacted regarding this petition indicated knowledge of any U.S. fabric mills making the subject fabrics.

¹² Information in this paragraph is from Carlos Moore, President of AM&S Trade Services, LLC; Al Blalock, Galey & Lord; and Dennis Gilrian, Swift Galey, telephone interviews by Commission staff, June 14, 2005.

¹³ Information in this and the following paragraph is from ***, telephone interview by Commission staff, June 15, 2005.

¹⁴ ***.

The Parkdale representative noted that ***¹⁵***.

An official of R.L. Stowe Mills, Inc., Belmont, NC, said that the company does not produce compacted yarns ***. The official said the company makes ring-spun yarns in the yarn sizes listed in the petition, and suggested that certain of its combed cotton ring-spun yarns resemble compacted yarns, depending on the quality of the fibers used. In addition, the company notes that decreased hairiness, a desirable characteristic of the compacted yarns, can be obtained through mercerization or gassing of traditional ring-spun yarns.¹⁶ In the gassing process, yarns are run through a flame, which singes off the hairy fibers. Mercerized yarns are run through a caustic bath, which increases the smoothness and luster of the yarn.

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Ramtex, a Ramseur, NC, based woven-fabric and yarn producer, stated that it ***.¹⁸

A representative of Tuscarora Mills, Inc., Mount Pleasant, NC, indicated that the firm does not make compacted yarns but that the substitution of combed cotton yarns for the compacted yarns will result in a fabric with the same look and feel as one woven with compacted cotton yarns.¹⁹

According to a report of the Department of Spinning Technology and Yarn Structure, Technical University of Lodz, Poland, researchers conducted a technical analysis and comparison of combed and carded cotton yarns spun on compact spinning frames and combed and carded cotton yarns spun on conventional ring spinning frames. Such research determined that when compared to the combed cotton, plied, ring-spun yarns, the compacted yarns showed greater smoothness, fewer irregularities, less hairiness, higher tenacity, and more luster.²⁰

Views of interested parties

The Commission received a written submission in opposition to the petition from NCTO, which comprises four separate councils representing the fiber, yarn, fabric, and supplier industries. NCTO indicated that, while there is little domestic capacity to spin compacted yarns, virtually identical substitutes exist, which are widely available from U.S. spinners. NCTO claims that plied ring-spun combed cotton yarns and yarns produced using the Siro double creel method exhibit properties similar to compacted yarns, including decreased hairiness, greater strength, and increased elongation and roundness. In particular, according to NCTO, yarns spun with the Siro double creel process and then plied are indistinguishable from and frequently used as substitutes for compacted yarns. NCTO also mentions mercerized yarn as an additional alternative to compacted yarns. NCTO further claims that U.S. yarn spinners are currently developing proprietary methods of producing other yarns that could substitute for compacted yarns.

Probable economic effect advice²¹

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of men's and boys' woven cotton trousers and shirts, and women's and girls' woven cotton trousers, shirts, and blouses made in eligible CBTPA or ATPDEA beneficiary countries from U.S.-formed fabrics containing the subject yarns,

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¹⁶ ***, telephone interview by Commission staff, June 15, 2005.

¹⁷ ***, telephone interviews with Commission staff, June 14 and 30, 2005.

¹⁸ ***, telephone interview by Commission staff, June 20, 2005.

¹⁹ ***, telephone interview by Commission staff, June 14, 2005.

²⁰ Tadeusz Jackoski, Danuta Cyniak, and Jerzy Czekalski, Technical University of Lodz, Faculty of Textile Engineering and Marketing, Department of Spinning Technology and Yarn Structure, "Compact Cotton Yarn," *Fibres & Textiles in Eastern Europe*, Oct./Dec. 2004, pp. 22-26, found at http://www.fibtex.lodz.pl/48_08_22.pdf, retrieved June 27, 2005.

²¹ The Commission's advice is based on information currently available to the Commission.

regardless of the source of the yarns, is not likely to have an adverse effect on U.S. yarn spinners or their workers, because there is currently no known U.S. production of the subject yarns. While one U.S. firm indicated that it owns and runs one machine that makes compacted yarns, ***. While some U.S. yarn spinners indicate that alternative yarns made by domestic firms can be used to produce fabric that is largely indistinguishable from fabrics made with compacted yarns, input from other industry and academic sources suggests that some of the alternative yarns are not commonly produced in the United States and that compacted yarns possess different physical and chemical properties that result in a different look, feel, and performance in the finished fabric.²² Given the unique properties of the subject yarns, there appears to be no U.S. production of yarns that could be considered directly substitutable for the subject yarns. Further, according to the petitioner, the customer is not willing to substitute alternate or similar yarns to make the fabric used in the specified apparel, because the company is sourcing the apparel from several *** locations and desires uniformity in its product.

The proposed preferential treatment would likely benefit U.S. firms weaving the specified fabrics from the subject yarns, because it will provide U.S. fabric mills with an opportunity to reclaim a portion of the textiles business ***. As there is no known U.S. production of the specified apparel or substitutable garments, the proposed preferential treatment would not have an adverse effect on domestic apparel producers but could benefit U.S. firms making apparel in eligible CBTPA or ATPDEA beneficiary countries and their U.S.-based workers. The proposed preferential treatment would also likely benefit U.S. consumers of the specified shirts, blouses, and pants to the extent that importers pass on some of the duty savings to retail consumers.

²² ***, telephone interviews by Commission staff, June 14-15 and 28, 2005; and Tadeusz Jackoski, Danuta Cyniak, and Jerzy Czekalski, Technical University of Lodz, Faculty of Textile Engineering and Marketing, Department of Spinning Technology and Yarn Structure, "Compact Cotton Yarn," *Fibres & Textiles in Eastern Europe*, Oct./Dec. 2004, pp. 22-26, found at http://www.fibtex.lodz.pl/48_08_22.pdf, retrieved June 27, 2005.